

Profit Sharing:

How It Works

There have been a number of questions about profit sharing and in particular why 1987 profit sharing was deducted in computing 1988's distribution. Under our plan, we share in the total pre-tax profits of the Company. Our share is 8%. Profits are computed as a cumulative total beginning with MRL's first day of business. Since our business started in 1987, we look at the Company's performance beginning with that year. What we receive each year is computed by taking 8% of the Company's total profits since startup and subtracting from that the profit sharing that has been paid in previous years.

In most cases, the profit sharing for the year will be the same as 8% of that year's profits. Several exceptions can occur. Profits at any particular date are determined by closing the books as of that date. Unfortunately, bills and payments may continue to trickle in for months afterward. Our accounting people make the best estimates of what will be received and what is owed for the period, but of necessity there will be some variance. In February of 1988, profit sharing checks for 1987 were distributed based on our best estimates of profits. It subsequently developed that profits were actually slightly less when accounts were finally settled. By using a cumulative profit figure to compute profit sharing, the overpayment in 1988 was compensated for by a slightly lower payment in 1989.

Another exception will occur if there is a loss in the prior year. In that case, the prior year's loss would
(continued, see Profit on page 6)



A westbound welded rail train photographed at Frenchtown, MT by Missoula locomotive engineer Alan Burns on February 9, 1989. The rail was distributed at various points on the 4th subdivision and will be installed this season. See News Briefs for more information.

News Briefs

A new computer crew calling system has been installed in the Crew Management Office at Missoula. Developed by Personnel Scheduling Technology in Denver, the program aids the callers by suggesting which employee should be called based on contractual requirements. Reduced calling errors, better management of rest periods, days off, vacations and calculations of guarantees and faster assignment of jobs are some of the benefits expected from the program. Future enhancements being considered would allow employees to access the system from computer terminals in the yard offices. This would provide information to crews as to their board standing, train lineups and extra board standing.

Thirty-eight locomotives, 387 assorted freight cars and three cabooses now carry the striking dark blue MRL livery. Repainting of equipment will continue as time, weather and equipment availability permit.

Seventy-five thousand hardwood cross-ties are scheduled for installation during the 1989 maintenance season at a cost of \$2.8 million. The majority will be installed in the main line between Billings and Spurling; Quebec and Big Timber; Livingston and Bozeman; Clarkston and Toston; in branch lines to Polson and Darby; and in the yards at Laurel, Helena and Missoula. The 29-man tie gang, which began work April 17, is off to a good start and ahead of schedule with about 18,000 ties installed as of May 5. The one day high was 1770 ties installed, surpassing last year's high day of 1627.
(Continued on page 2)

News Briefs (continued from page 1)

Over 200 miles of main track is scheduled for surfacing in addition to extensive work on branch lines and yards.

Twenty-two miles of 131 pound continuous welded rail will be installed this season. The new rail, all now distributed, was rolled and welded by CF&I at Minnequa, Colorado, and transported to our line on leased Denver & Rio Grande rail rack trains. The "package deal" of the DRGW working together with CF&I to weld and transport the rail is considered an industry first. Twelve miles of secondhand rail will be installed in various sidings and yards.

Helena Yard will be modified and upgraded to expedite train handling. Plans call for No. 3 track to be rebuilt and extended on the west end across Roberts Street. The long lead is to be extended eastward and additional cross-overs installed. The yard will have tie work and surfacing done. When completed, there will be room to store two 7000 foot trains, and access to the yard on the west end will be improved. The project will cost \$950,000.

About \$1 million will be spent on the rehabilitation of Bridge 208, which spans the Clark Fork River near Quinns. Muth Consulting Engineers of Missoula designed the modifications. Preliminary work at the site has started.

The 2nd annual G. G. Widle/MRL Employees Golf Tournament is set for Saturday, June 17 at the Hamilton Golf Course. One hundred eighty employees and their families, vendors and shippers are expected to participate.

The east train dispatching territory was extended to Jones Junction (mile post 210), east of Huntley on April 13. Our dispatchers now control all territory owned or leased by MRL.

Forty-six ballast cars have been leased from Helms Financial for three years with an option to buy at the end of the lease period. The cars, built by Darby in 1970, are 100-ton capacity with roller bearing trucks and equipped with Enterprise doors.

A new dragging equipment detector has been installed at MP 131.1 between West End and East Bozeman.

Phase 1 of a two-part program to install CTC (centralized traffic control) on the 4th Subdivision has begun. Cable is now being dug in between Frenchtown and Superior. The project should be completed by the end of the year at a cost of \$900,000. Phase 2, between Superior and Paradise, will be completed at a later date.

The Helena depot, now completely refurbished, is the center of MRL activities in Montana's capital. The exterior has been cleaned and the trim painted. Four spot lights have been installed atop the roof to highlight the clock tower. The interior of the landmark building has also undergone renovation with new offices, new flooring and custom-built light blue cabinets trimmed with oak making it a pleasant work place.

A smoking policy has been adopted that will apply to all areas of the railroad. It is the intent of Montana Rail Link to provide employees with a smoke-free work environment. Please see the bulletin boards for details. •

Laurel/Billings Area Women Organize

Women for MRL (WFM), an organization composed of employees and wives of MRL employees has been formally organized in the Laurel/Billings area. **Marcy Howe** of Billings, telephone 652-4396 is serving as chairperson; **Roberta Montgomery** of Laurel, telephone 628-7504 co-chair; **Mary Anne Harris** of Laurel, telephone 628-6672, secretary-treasurer; and **Connie Reeser** of Billings, telephone 252-0059 is co-secretary-treasurer.

Meetings are scheduled for the 1st Tuesday of each month at 7 PM at the Locomotive Inn in Laurel. Morning coffee get-togethers are slated for the following Wednesday at 10 AM to provide an opportunity for more to participate. WFM had been functioning on an informal basis for some time and has been involved in several projects over the past months, some of which include having a Christmas party for the children of MRL employees and making decorations for the employee Christmas party. The major purpose of the group is fellowship and support. They also plan to assist Community Hope in the Laurel area with a food drive. Contact one of the officers for more information. •

Omissions & Errors

The following was omitted in Issue #5 of the Newsletter:

Effective February 8, 1989:

Michael A. Frederick appointed Work Equipment Supervisor with headquarters at Helena, Montana replacing **Greg Hampson**, resigned.

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Editor: Milt Clark

Readers are invited to submit news items and comments.

No. 6 Spring/1989 May 18, 1989

+ SAFETY *is* FIRST +

with the Laurel
Mechanical Department

Two thousand to five thousand cars inspected daily, average of thirty cars repaired daily, 100,000 gallons of fuel pumped daily, 150 to 250 pairs of wheels changed monthly, 70 diesel units serviced daily, 200,000 manhours worked annually.... any way you look at it, the numbers are impressive. Perhaps most impressive and important is that all of this has been done without a single lost time injury in the Laurel Mechanical Department since MRL began operating!

To what can this excellent record be attributed? Dan Sokolowski, General Mechanical Foreman says, "Good judgement, good people and good equipment."

Regular safety meetings are held every week by each of the seven foreman. A good record is recognized with a safety prize awarded each month. Safe working conditions are maintained by keeping a clean shop and yard. "Laurel Yard is probably the cleanest yard in the U.S. There is no debris, no brake shoes or junk," says Dan. New brake shoes are carried by the train inspectors and the men pick up scrap and reuse or recycle it. The section crew deserves credit for keeping the train yard clean, too. They make an effort to pick up wood, banding, etc. "It's the

....excellent safety record attributed to "Good judgement, good people and good equipment."

Dan Sokolowski, General Mechanical Foreman

cleanest yard I've ever seen."

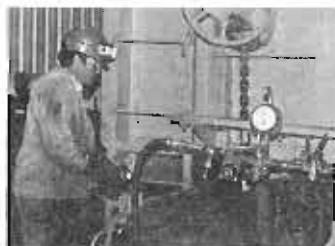
Dan is in a good position to know as he has had experience with five railroads (MILW, GN, UP, NP, ARR) and two freight car leasing companies prior to joining MRL, and has been a foreman since 1962.

Laurel is a hot spot for the Mechanical Department in a number of ways. It is the 1000 mile federal inspection point for both east and west bound trains and the terminal point for several. An average of 2100 diesel units are serviced monthly. The car shop performs a considerable amount of foreign car repair (repairs made to cars belonging to other railroads or private car companies for which MRL is paid). In addition, because the shop is cost effective, cars requiring heavy repairs (wreck damaged, etc.) are put in shape to travel on their own wheels to home shops, thereby avoiding the costly loading of the cars on flat cars for movement to home shops.

Congratulations to the 95 men and women of the Laurel Mechanical Department for this fine effort to promote safety and efficiency. •



Part of the car shop crew: Front row, l to r: Pete Riesinger, Sam Woklich, John Higgins, Don Rodriguez, John Strecker, Jim Spooner, George Forstner, Reuben Zundel, Roy Blohm and Rich Helser. Second row, l to r - Elvin Miller, Dan Sokolowski, Leonard Knaub, Ron Wegh, Ramlin Massing, Paul Elsenpeter, Ralph Daniels and Jack Gabrian.



Don Rodriguez inspects the damage to a centerbeam flat car done by a bypassed coupler.

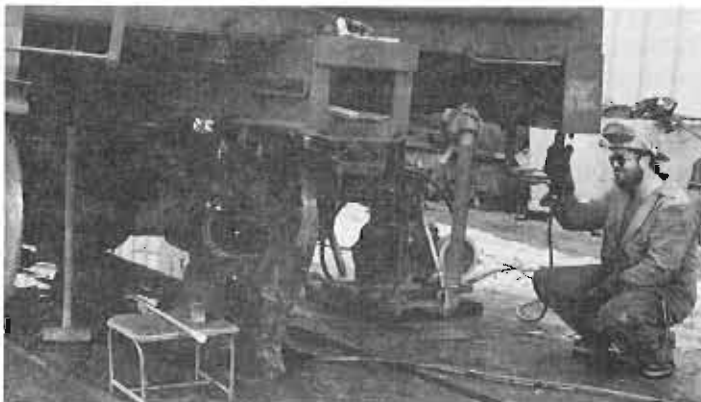


Carman Jim Spooner sets a jack in preparation for lifting a car.



Larry Peters fuels a locomotive (left).

Repairs requiring additional time are done outside so as not to tie up the two run-through tracks in the shop. Here Terry Krum, under car, and Larry Minch work on the draft sill of a box car.



Twenty-nine Graduate from Engineer Training Program

Montana Rail Link, in conjunction with the Brotherhood of Locomotive Engineers, has an on property locomotive engineer training program similar to those on many of the major carriers. The program consists of extensive classroom instruction and various written exams covering mechanical, air brake and train handling, and operating rules. In addition to the classroom program, each trainee must spend up to seven months of on-the-job training provided by volunteer engineer instructors. During this portion of the course, trainees must work all types of service over the entire territory they will be assigned to.

After passing the written exams and all of the on-the-job training requirements have been met, trainees must be recommended for promotion by the instructors familiar with the individual. The final decision to promote or recommend further training at a later date is made jointly by a MRL operating officer and a BLE representative.

Congratulations to the following graduates:

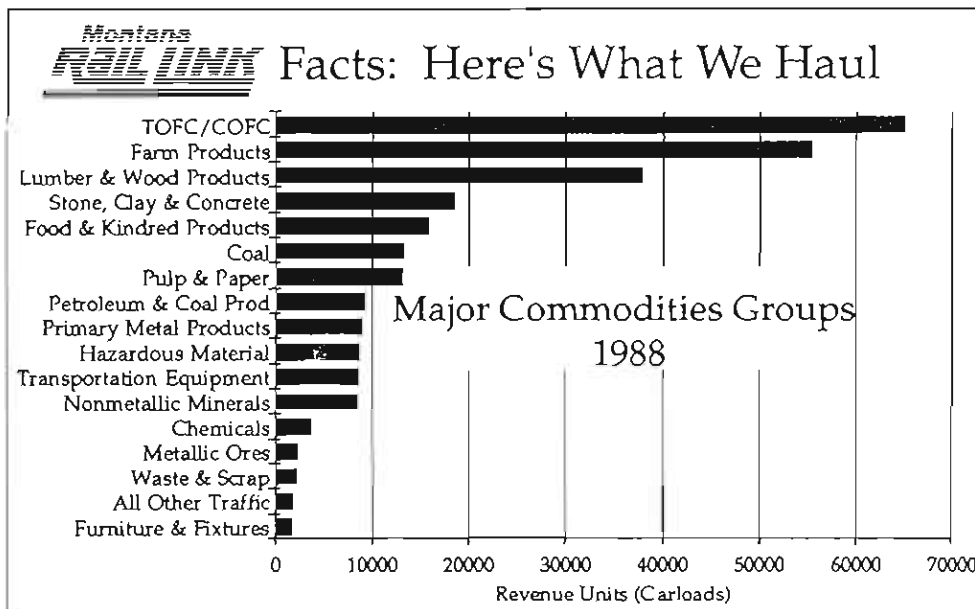
Laurel Zone - John Garrefa, Pat Kindsfather, Bruce Patterson, David Roth, Chuck Watts, Gene Dobson, Rex Hoag, Les Hull, Doug Sharbono, Jay Edwards and Dan O'Rourke. Missoula Zone - Jack Dorsey, Lyle McIntyre, Bill Redd, Roy Reineke, Bill Riordan, Tom Sparano, Steve Wanberg, Norm Browne, Kevin Cook, Mick Fauske, Bernie Haddick, Dave Hammond, B. C. Reeves, Frank Ruggles, Dale Atkinson, Verlin Bonner, R. B. Thompson and Jay Wallace.

Currently, there are an additional twenty-three employees in various stages of training and more classes are planned for the near future. It is the goal of both MRL and the BLE to have every train manned by two

Marathon Runners Bloom

Dana Beck, Manager Local Billing and Laurie Wilson, Computer Programmer, participated in the Blooms Day Run, a 12K (7.5 mile) marathon held in Spokane, Washington on May 7. The run is surpassed only by the Boston Marathon in the

number of participants; however, it is the largest in the world that gives places to all finishers. "It's a tough course," according to Laurie, with the 3/4 mile Dooks Day Hill at the 5 mile mark. Dana finished #24,211 and Laurie #24,203 out of about 60,000 runners. Not bad! •



Marketing Department Reorganized

Effective May 1, 1989 the MRL Marketing Department has been reorganized along major commodity lines. Forest products and metallic minerals are being handled by Larry Huff; Milt Clark has agricultural commodities and food and consumer products; and Derek Nelson industrial products and coal. Selected accounts and special

projects are being handled by Howard Nash and Evy Hendrickson.

"We feel this will allow us to work more closely with individual customers and improve our service to our entire customer base," claims Marketing/Administrative Director Howard Nash. "This is the first step of an overall marketing strategy that will enlist the support of all MRL personnel." •

qualified locomotive engineers. All operating employees with an interest in the program will have the opportunity to participate.

Thanks to all volunteer engineer instructors for sharing their knowledge and experience in the effort to train truly professional engineers. •

**MAKE *EVERY* DAY A
SAFE WORKING DAY**

Keeping Track

Montana Rail Link Personnel Changes

Effective March 20:

Beverly E. Gunderson named Manager of Car Hire replacing Gayle M. Sheahen, resigned. Ms. Gunderson served previously as Manager of Payroll.

Patty Seabaugh appointed Manager of Payroll. Ms. Seabaugh served previously as Staff Assistant/General Accounting.

Effective April 10:

Joseph J. Zawada's title was changed to Assistant Trainmaster/Road Foreman in order to more accurately describe his responsibilities.

Effective May 15:

Derek D. Nelson's title was changed to Marketing Representative in order to more accurately describe his responsibilities.

Retirements

Steven Seeberger, Track Welder at Thompson Falls, MT on March 17 with 36 years of service beginning with the Northern Pacific.

Loren Goble, Locomotive Engineer at Livingston, MT on January 11 with 40 years of service beginning with the Northern Pacific.



Track welder **Steven Seeberger**, third from left, retired March 17 completing more than 36 years of railroad service that began with the Northern Pacific Railway as a welder helper on a system welding gang. Pictured left to right, are Signal Supervisor **Steve Griffin**, Roadmaster **Rick Woodruff**, Mr. **Seeberger**, and **Dan Doty**, Grinder. At a farewell party held in his honor, Mr. Seeberger stated, "I started working for a good railroad, and I'm retiring from one."

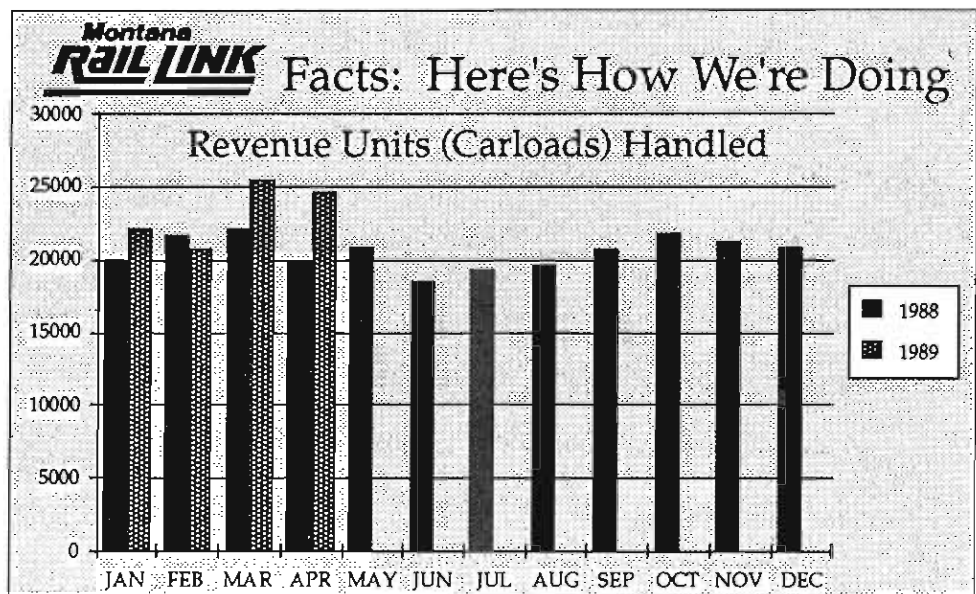
Customer Profile: Stone Container Corp.

Stone Container is a multi-billion dollar corporation and an industry leader in the production of containerboard (also known as pulpboard or linerboard), unbleached kraft paper, corrugated containers and bags and sacks. Corporate headquarters are located in Chicago and plants are situated throughout the United States.

The mill at Schilling, one of twelve Stone mills producing bleached and unbleached linerboard (the paper surrounding the corrugated medium in corrugated boxes), produces 600,000 tons annually and employs 540. The mill is expanding. Ground was broken on March 7 for a \$15.5 million recycling plant. The new facility will recycle old corrugated containers and represents an example of the paper industry's solid waste management efforts. At start up, the new facility will employ twelve and produce 150 tons of pulp per day. At full capacity, sixteen employees will make 400 tons of pulp per day. Much of the corrugated material for recycling will move to the facility via rail.

In addition to linerboard, MRL handles woodchips, waste paper, fuel oil and chemicals inbound, and various paper making by-products outbound. Stone's Schilling plant is Montana's only paper mill and a major source of traffic for Montana Rail Link. •

First in a series of articles designed to acquaint us with our customers.



Going Beyond the Call of Duty

What happens when a car which has been contaminated with a foreign substance is furnished to a shipper for loading? Usually, the shipper will reject it and then it must be sent somewhere for cleaning. The result is a loss of revenue and shipper goodwill, not to mention increased car hire expense.

On April 4, Local 45841 had just such a car; a covered hopper, for the Harrison Elevator at Harrison, Montana. Because of some talc residue, the elevator manager rejected it. Assistant Locomotive Engineer **Daniel J. Nelson** went far beyond the call of duty, climbing into the car and cleaning it out. Thanks, Dan! •



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Willamet-built Engine No. 7, formerly owned by the Anaconda Co. and used for logging, was moved to the Historical Museum at Fort Missoula from Bonner, MT on January 21 through the efforts of MRL and Western Transport. Above, the 80-ton locomotive being loaded on a trailer. You can't have a locomotive without some track to put it on, so last year (April 24, 1988), MRL volunteers assisted with track construction. Pictured below, left to right, are Section Laborer **Leonard Iverson**, Assistant Chief Engineer **Charley Chambers** and Section Laborer **Junior Pritchard**. Not shown are Assistant Roadmaster **Bob Guest** and Marketing Managers **Milt Clark** and **Larry Huff**.



In addition to the locomotive and three ex-Burlington Northern log flats, the former Milwaukee Road depot from Drummond, MT, a Forest Service look-out tower and other equipment are part of a Forestry Interpretive Area at the Museum which, when completed, will depict forestry management and timber production.

The Historical Museum at Fort Missoula was established in 1975 to collect, preserve and interpret the history of Missoula County and Western Montana for the education, recreation and cultural enrichment of visitors and residents of the area.

Employee Benefits Update

401(k) Plan

The IRS has increased the 401(k) limits which may be contributed from \$7,313 to \$7,627 for 1989. The 401(k) program is an excellent benefit which provides a way to save for retirement and allows deferment of some income tax. Best of all, the Washington Companies will match 50 cents for every dollar you contribute up to 4% of your income! For example, if you contribute 4% of your pay, the matching contribution will be 2% of your pay (50% of 4%). See your Employee Benefit Package handbook or the payroll department for more information. Employees may enroll in this program in June and December only.

Life Insurance

There has been some misunderstanding about the life insurance benefit employees receive. To clarify, the benefit is 2.5 times your annual salary or a minimum of \$150,000. •

Profit (continued from page 1)
offset part of the current year's profits. In effect, we are all partners with the owners and share in the losses as well as the gains.

If you have additional questions, please feel free to call Fred Simpson or any of our financial people. •